

Comments: International Tax Reform Working Group

The FairTax will collect consumption taxes from 20 million foreign visitors, 12 to 20 million undocumented immigrants and an estimated \$4 billion in the underground economy of criminals and others engaged in off-the-books activity. Having this broader tax base will be a good thing. Legal citizens will pay less as a result.

Under the FairTax, the U.S. corporate tax rate will no longer rank 33rd highest in 34 OECD countries.

The U.S. will no longer be 124th in World Bank rankings of “total tax cost” (46.8%) imposed on businesses.

The U.S. will finally join more than 50 nations that significantly reduced their highest marginal tax rate in the 1980s and 1990s, to great advantage.

The U.S. is the only major country (U.S.) that taxes foreign earnings.

With the Fair Tax, multinational companies will repatriate their foreign earnings to the U.S. rather than keeping them abroad to avoid 35% in residual taxes.

Since U.S. multinationals hold an estimated \$1.4 trillion in foreign earnings overseas, even a temporary reprieve from this repatriation tax, according to one study, would add 1.3 to 2.5 million jobs, boost government revenues, and increase GDP \$178 billion to \$336 billion.

Federal corporate income taxes, less than \$200 billion, are 1.3% of GDP, but the way we collect them discourages foreign companies from locating here and causes our multinationals to locate plants abroad where taxes are 9% lower (OECD average).

The FairTax removes income and payroll taxes for producing goods in the U.S. and selling them abroad, where they are taxed again.

In a survey (Princeton) of 500 European and Asian businesses, 400 said with the FairTax they would locate their next manufacturing plant in the U.S. and 100 said they would move their corporate headquarters here.

Exports will soar.

Jobs will return to the U.S.

Tax-free trade zones for foreign goods in U.S. retail stores will disappear.

Our tax system will no longer encourage consumption of foreign goods.

Our tax system will no longer drive plants and good jobs out of the country.

Foreign production sold in the U.S. will pay the FairTax.